

Message Text

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PAGE 01 NEW DE 06346 130642Z

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ACTION OPIC-06

INFO OCT-01 NEA-09 ISO-00 EB-07 COME-00 TRSE-00 /023 W

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P R 130521Z MAY 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 8637

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 6346

E.O. 11652: N/A

TAGS: EINV, IN, XX

SUBJ: OPIC CONTRACT OF GUARANTY NO. 1396--MCNALLY'S PITTSBURG
MANUFACTURING CORP. (MCNALLY)

REFS: (A) STATE 105224 (B) NEW DELHI 5227

1. GOI MINISTRY OF FINANCE OFFICIAL S CONFIRM THAT MANALLY'S
SHARES IN MCNALLY BHARAT ENGINEERING COMPANY LIMITED (BHARAT)
ARE BEING DEPOSITED WITH NATIONAL AND GRINDLAYS BANK LIMITED,
CALCUTTA, AS THE FIRST STEP IN THE PROCESS OF DILUTING MCNALLY'S
EQUITY HOLDING TO COMPLY WITH THE SEPTEMBER 30, 1974 GOI ORDER.
THE MINISTRY HAS NO INFORMATION, HOWEVER, CONCERNING THE PROPOSED
PUBLIC OFFERING OF BHARAT SHARES MENTIONED IN REFTEL. WE WERE
INFORMED THAT THE GOI WILL NOT CONSIDER THE MCNALLY DILUTION
"EFFECTIVE" UNTIL THE PUBLIC OFFERING OF BHARAT SHARES IS COM-
PLETED AND SHARE ALLOTMENTS MADE.

2. WE ARE POUCHING COPIES OF THE RELEVANT GOI AND RESERVE
BANK LAWS, REGULATIONS, AND GUIDELINES COVERING REMITTANCE OF
DIVIDENDS ABROAD WHICH WERE IN EFFECT ON FEBRUARY 15, 1964.

3. WE STRONGLY RECOMMEND THAT, IF POSSIBLE, OPIC DELAY PROCES-
SING MCNALLY'S INCONVERTIBILITY CLAIM UNTIL WE MAKE A FINAL
HIGH-LEVEL APPROACH TO THE FINANCE MINISTRY. INDIA'S RECORD ON
TREMITTANCE OF DIVIDENDS OF FOREIGN COMPANIES IS GOOD. FACED
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WITH THE POSSIBILITY OF AN OPIC CLAIM AND THE ATTENDANT BAD

PUBLICITY, THE FINANCE MINISTRY MAY WELL CONSIDER DELINKING
THE MCNALLY REMITTANCE FROM THE ISSUE OF EFFECTIVE EQUITY
DILUTION. ON THE OTHER HAND, PRECIPITATE PROCESSING OF THIS
CLAIM MAY NEEDLESSLY ADD ANOTHER IRRITANT TO INDO-US RELATIONS.
SAXBE

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